



**Contract Year Ending 2022  
Capitation Rate Notification – Pediatric Services  
Initiative  
Comprehensive Health Plan Program**

**October 1, 2021 through September 30, 2022**

**Prepared for:  
The Centers for Medicare & Medicaid Services**

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# CYE 22 Capitation Rate Notification – PSI, CHP Program

## Table of Contents

Introduction and Limitations .....	1
Section I Medicaid Managed Care Rates.....	2
I.1. General Information.....	2
I.2. Data .....	2
I.3. Projected Benefit Costs and Trends .....	2
I.4. Special Contract Provisions Related to Payment.....	2
I.4.A. Incentive Arrangements.....	2
I.4.B. Withhold Arrangements.....	2
I.4.C. Risk-Sharing Mechanisms.....	2
I.4.D. State Directed Payments.....	2
I.4.D.i. Rate Development Standards.....	2
I.4.D.ii. Appropriate Documentation .....	2
I.4.D.ii.(a) Description of State Directed Payments.....	2
I.4.D.ii.(a)(i) Type and Description of Directed Payment Arrangements .....	2
I.4.D.ii.(a)(ii) Directed Payments Incorporated in Capitation Rates.....	3
I.4.D.ii.(a)(iii) Directed Payments Under Separate Payment Arrangement.....	3
I.4.D.ii.(a)(iii)(A) Aggregate Amount.....	3
I.4.D.ii.(a)(iii)(B) Actuarial Certification of the Amount of the Separate Payment Term .....	3
I.4.D.ii.(a)(iii)(C) Estimated Impact by Rate Cell.....	3
I.4.D.ii.(a)(iii)(D) Preprint Acknowledgement.....	3
I.4.D.ii.(a)(iii)(E) Future Documentation Requirements .....	3
I.4.E. Pass-Through Payments .....	3
I.5. Projected Non-Benefit Costs.....	3
I.6. Risk Adjustment and Acuity Adjustments .....	4
Section II Medicaid Managed Care Rates with Long-Term Services and Supports.....	4
Section III New Adult Group Capitation Rates.....	4
Appendix 1: CYE 22 PSI Payments .....	5
Appendix 2: CYE 22 Certified and Adjusted Capitation Rates .....	6

# CYE 22 Capitation Rate Notification – PSI, CHP Program

## Introduction and Limitations

The purpose of this capitation rate notification document is to provide documentation of the data, assumptions, and methodologies used to allocate a delivery system and provider payments initiative (i.e., state directed payment), the Arizona Health Care Cost Containment System (AHCCCS) Pediatric Services Initiative (PSI), across the Contract Year Ending 2022 (CYE 22, October 1, 2021 through September 30, 2022) capitation rates for the Comprehensive Health Plan (CHP) Program.

The PSI payments are payments under 42 CFR § 438.6(c)(1)(iii)(B), as codified in the 2016 Medicaid and Children’s Health Insurance Program (CHIP) Managed Care Final Rule. This capitation rate notification document was prepared for Centers for Medicare & Medicaid Services (CMS), or its actuaries, for review of the PSI payments allocation methodology. This capitation rate notification document also provides the CYE 22 CHP Program capitation rates with and without the PSI payments for CMS review. This capitation rate notification document may not be appropriate for any other purpose.

This capitation rate notification document may also be made available publicly on the AHCCCS website or distributed to other parties. If this capitation rate notification document is made available to third parties, then this capitation rate notification document and the original rate certification along with any amendments should be provided in their entirety. Any third party reviewing this capitation rate notification document and capitation rate certifications should be familiar with the AHCCCS Medicaid managed care program, the provisions of 42 CFR Part 438 applicable to this rate certification, the 2021-2022 Medicaid Managed Care Rate Development Guide (2022 Guide), Actuarial Standards of Practice and generally accepted actuarial principles and practices.

CMS has yet to release a rate development guide for capitation rate updates related to payments under 42 CFR § 438.6(c). In lieu of having an official guide to follow, AHCCCS will follow the 2022 Guide for organizing this capitation rate notification document. The 2022 Guide describes the rate development standards and appropriate documentation to be included within Medicaid managed care rate certifications. In particular, Section I.4.D. covers state directed payments and it is this section that will contain the capitation rate notification documentation. Sections of the 2022 Guide that do not apply will be marked as “Not Applicable” and will be included in this rate notification document for completeness.

## Section I Medicaid Managed Care Rates

### I.1. General Information

Not applicable to the PSI for the CYE 22 CHP Program rate update.

### I.2. Data

Not applicable to the PSI for the CYE 22 CHP Program rate update.

### I.3. Projected Benefit Costs and Trends

Not applicable to the PSI for the CYE 22 CHP Program rate update.

## I.4. Special Contract Provisions Related to Payment

### I.4.A. Incentive Arrangements

Not applicable to the PSI for the CYE 22 CHP Program rate update.

### I.4.B. Withhold Arrangements

Not applicable to the PSI for the CYE 22 CHP Program rate update.

### I.4.C. Risk-Sharing Mechanisms

Not applicable to the PSI for the CYE 22 CHP Program rate update.

### I.4.D. State Directed Payments

#### I.4.D.i. Rate Development Standards

This section of the 2022 Guide provides information on delivery system and provider payment initiatives authorized under 42 CFR § 438.6(c).

#### I.4.D.ii. Appropriate Documentation

The following sections of the 2022 Guide, Section I.4.D.ii.(a)(i) through Section I.4.D.ii.(a)(iii), were provided in the CYE 22 CHP Program Capitation Rate Certification as signed by Bradley B. Armstrong on August 11, 2021. These sections are being provided again to facilitate CMS' review, updated as necessary to provide additional information. There was one amendment to the CYE 22 rate certification which did not impact PSI. The amendment was signed on January 6, 2023, relating to costs associated with the American Rescue Plan Act Home and Community Based Services Behavioral Health Outpatient directed payment.

#### I.4.D.ii.(a) Description of State Directed Payments

##### I.4.D.ii.(a)(i) Type and Description of Directed Payment Arrangements

The PSI seeks to provide enhanced support to ensure the financial viability of the state's freestanding children's hospitals with more than 100 licensed pediatric beds. The PSI provides a uniform percentage increase for inpatient and outpatient services provided by the state's freestanding children's hospitals, with more than 100 licensed pediatric beds. The PSI uniform percentage increase is based on a fixed

## CYE 22 Capitation Rate Notification – PSI, CHP Program

total payment amount and is expected to fluctuate based on utilization in the contract year. The increase is intended to supplement, not supplant, payments to eligible hospitals.

### **I.4.D.ii.(a)(ii) Directed Payments Incorporated in Capitation Rates**

Not applicable to the PSI for the CYE 22 CHP Program rate update.

### **I.4.D.ii.(a)(iii) Directed Payments Under Separate Payment Arrangement**

The PSI was not included in the CHP certified capitation rates and has been paid out via lump sum payments.

### **I.4.D.ii.(a)(iii)(A) Aggregate Amount**

The original estimates of anticipated payments, including premium tax, for PSI were approximately \$1.5 million. AHCCCS distributed the total payment via four interim quarterly lump sum payments to the Contractor, and a final redistribution of the payment based on actual CYE 22 utilization after the completion of the contract year. The total payments paid through the CHP Contractor for the PSI were approximately \$1.9 million, inclusive of premium tax.

### **I.4.D.ii.(a)(iii)(B) Actuarial Certification of the Amount of the Separate Payment Term**

The actuary certified to the aggregate directed payment estimates as actuarially sound according to 42 CFR § 438.4 in the original rate certification. The original estimates were based on projections of future events. This notification document incorporates the actual final aggregate payments by rate cell and the AHCCCS actuaries certify the final payment amounts by rate cell as actuarially sound according to 42 CFR § 438.4.

### **I.4.D.ii.(a)(iii)(C) Estimated Impact by Rate Cell**

Appendix 1 shows the total PSI dollars paid, including premium tax, by rate cell. Appendix 2 shows the PSI payments by rate cell as if they had been incorporated into the capitation rates as PMPMs. Totals may not add up due to rounding.

### **I.4.D.ii.(a)(iii)(D) Preprint Acknowledgement**

These payments were made under the approved PSI 42 CFR § 438.6(c) payment arrangement in a manner consistent with the preprint approved by CMS (inclusive of any/all correspondence between the state and CMS regarding the preprint).

### **I.4.D.ii.(a)(iii)(E) Future Documentation Requirements**

AHCCCS is submitting this notification documentation to CMS which incorporates the total amount of the PSI payments into the rate certification's rate cells, consistent with the distribution methodology described in the preprint approved by CMS. The capitation rates with and without the PSI payments can be found in Appendix 2.

## **I.4.E. Pass-Through Payments**

Not applicable to the PSI for the CYE 22 CHP Program rate update.

## **I.5. Projected Non-Benefit Costs**

Not applicable to the PSI for the CYE 22 CHP Program rate update.

**I.6. Risk Adjustment and Acuity Adjustments**

Not applicable to the PSI for the CYE 22 CHP Program rate update.

**Section II Medicaid Managed Care Rates with Long-Term Services and Supports**

Not applicable to the PSI for the CYE 22 CHP Program rate update.

**Section III New Adult Group Capitation Rates**

Not applicable to the PSI for the CYE 22 CHP Program rate update.

**Appendix 1: CYE 22 PSI Payments**

Rate Cell	CYE 22 PSI Dollars with Premium Tax
CHP	\$1,886,322

Appendix 2: CYE 22 Certified and Adjusted Capitation Rates

Rate Cell	Capitation Rates Effective 10/1/21 - 9/30/22		
	Cap Rates without PSI	PSI PMPM	Cap Rates with PSI
CHP	\$1,322.22	\$11.66	\$1,333.88